

Pick and mix

IT IS NOT SURPRISING THAT THINGS GO WRONG IN BRITISH COMPANIES – THE CONTINUED LACK OF DIVERSITY IN OUR BOARDROOMS IS LEADING TO ‘GROUPTHINK’

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It is increasingly understood in business that diverse teams are more creative and reach better decisions than groups from the same background and culture. A diverse group looks at a problem from a wider range of perspectives and with a wider spectrum of experience. The interaction of people from different cultures and backgrounds sparks new ways of thinking.

Senior management understands and generally sees it as desirable to put together diverse teams in the lower and middle parts of the group’s operations, but it is much less willing to embrace diversity in the boardroom. Chairmen who will privately admit they worry about ‘groupthink’ claim to be unable to do anything about it. The only significant change in the composition of boards in recent years has been the emphasis on increasing the numbers of women.

The typical British-listed company remains light years away from what management guru Tom Peters – who wrote *In search of excellence* – thinks would be a perfectly comprised board. Anthony Fitzsimmons of Reputability, a consultancy specialising in governance and risk, currently has a blog on his website that describes what Peters, in one of his latest books, considers the ideal. Here is how it goes.

On a board that has ten members, including the chair, there should be no more than three people over 60, no more than three MBAs, at least three women, two people under 30, a brace of entrepreneurial types, a design guru, an IT superstar and a person of stature who seems weird – probably a rapper or an artist.

To this mix, Fitzsimmons would add at least one person who understands how people think and behave (a graduate in psychology, sociology or anthropology) and two others trained to deliver constructive challenge, such as academics, lawyers or journalists.

Peters’ embrace of diversity is grounded in his view of what makes a successful business. One of his golden rules is that the four most important words uttered in any organisation are: “What do you think?” He believes that question conveys to the listener that they are seen as a person of value, who has an opinion that the questioner wants to hear. A huge amount of time and effort is spent talking about empowerment and engagement in organisations, without ever getting to the point where employees feel either empowered or engaged. What those disgruntled and disillusioned employees outside the board fail to realise is that the

same dynamic often exists at the top of organisations. Boardrooms are also stuffed with people who feel the only opinion the chair wants to hear is their own. This is sometimes referred to as ‘sucking up the oxygen’.

The point of such a diverse board is to make it impossible for one person to suck up all the oxygen, therefore making it more likely that there will be lively debate and engagement. With this in mind, Fitzsimmons mischievously decides to compare the Peters blueprint with the reality to be found among the non-executive directors in the boardrooms of large companies and their regulators.

Age data is incomplete, but where it is available it shows only 7% are under 50 and 55% are over 60. There are now more women on boards following the pressure from outside to hit a 30% target, but still almost no ethnic minorities. Only 1% of the non-executive directors are psychologists; only 2% have HR experience; only 7% are lawyers or academics, and the latter are usually chemists at pharma companies; only 9% know about IT and data, and they are clustered in media and telecoms.

But just under half of them have been directors elsewhere and many have ‘C-suite experience’. They account for an overwhelming 94% of all directors.

It is not surprising that things go wrong. Thanks to modern technology and the speed of reporting, companies rarely get caught out by accounting mistakes or failures in financial controls – except in cases of fraud. Instead, the really serious problems are caused by the way people behave and interact with their colleagues. But as Fitzsimmons points out: “Non-executive directors with deep knowledge and skill in understanding how people really tick are rare.”

Huge amounts of effort go into developing processes for corporate governance. It is tempting to think that much of it could be scrapped if we just put the right people on the boards in the first place.

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